

Australian Industry Index

Initial impacts of energy crisis hit industry

Key findings

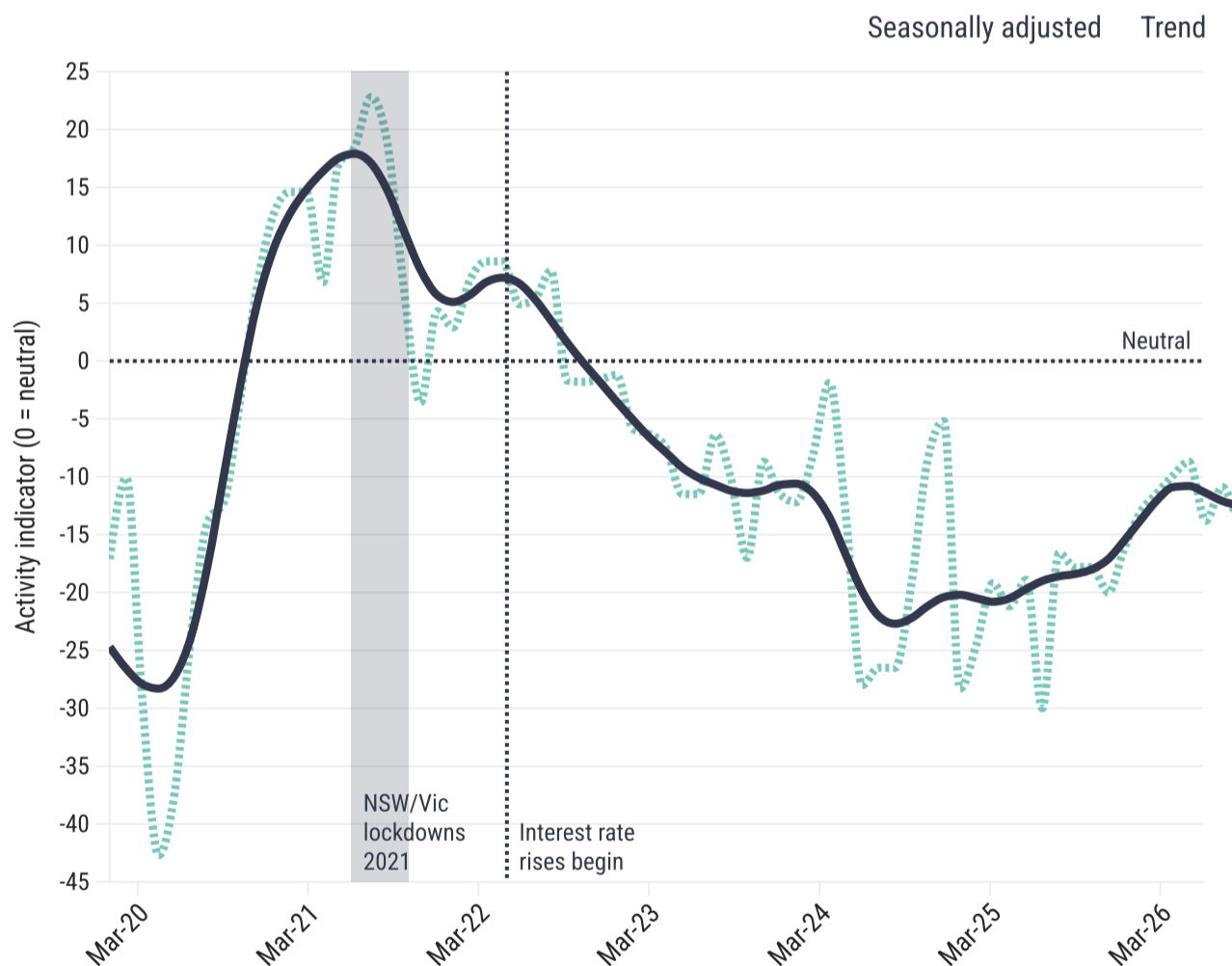
- The Australian Industry Index® fell by 19.9 points to -23.6 in March, the steepest recorded monthly fall in the series.
- Initial impacts from the energy crisis are now being reported by industry, with sharp falls across the activity, employment, input price and new orders indicators.
- Manufacturers reported initial impacts from fuel and freight pricing pressures, with food especially affected.
- Construction reported a sharp decline in new orders due to increased uncertainty, alongside anticipated cost pressures as fuel and materials prices begin to rise.
- These issues are expected to spread to industrial materials in coming months as fuel disruptions move through supply chains.

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March 2026

Australian Industry Index ®



Australian Industry Group Australian Industry Index® (all industry)	-23.6
Australian PMI® (manufacturing) ▼ 8.6 points	-27.9
Australian PCI® (construction) ▼ 22.2 points	-31.4
Activity/sales ▼ 10.1 points	-25.0
Employment ▼ 42.4 points	-28.7
New orders ▼ 21.7 points	-23.0
Input volumes ▼ 12.9 points	-6.9
Input prices ▲ 3.8 points	48.5
Sales prices ▲ 10.1 points	17.2
Average wages ▲ 0.6 points	36.7

Energy crisis insights

Liaison highlights on energy crisis impacts - March 2026

Uncertainty was the main factor impacting businesses in March, with 30% reporting volatility in fuel prices, freight, insurance and/or supplier arrangements linked to the Middle East conflict. This led to delayed orders and paused projects, with some firms reporting a sharp fall in confidence, particularly in construction and manufacturing.

Rising input costs (26%) were a major pressure. Businesses reported sharp increases in fuel, freight and raw materials, including metals, resins, plastics and packaging. Suppliers moved to spot pricing and surcharges, and many firms were unable to pass on higher costs due to weak demand, fixed contracts or import competition. Cost and uncertainty prompted delayed purchasing, sourcing reviews and delayed investment.

Supply chain issues affected 24% of businesses, with delays, longer lead times, rerouted freight and reduced delivery reliability. Firms reliant on imported inputs from Asia and the Middle East faced heightened risk, with some suppliers invoking force majeure. In response, businesses reported building inventories, seeking alternative suppliers or changing transport modes, often at higher cost.

Demand weakened (24%), with businesses reporting fewer enquiries and orders. Higher interest rates, cost of living pressures and low customer confidence constrained spending, while competition from low cost imports increased price sensitivity. Exporters faced weaker demand due to higher costs, tariffs and freight disruption.

Cash flow pressures (20%) intensified as higher input costs, weak demand and slower payments effects combined, eroding working capital for some firms.

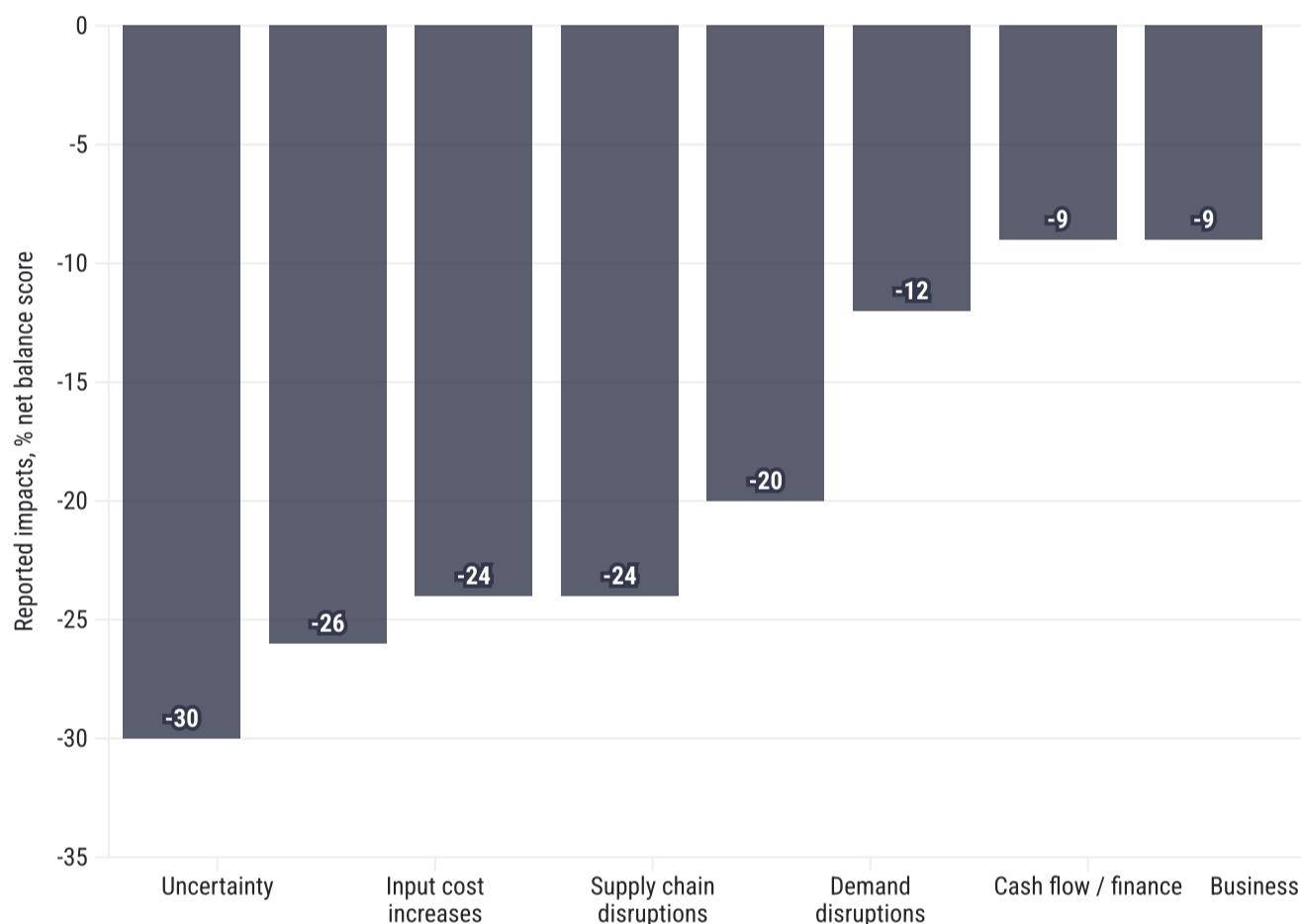
Business continuity concerns (12%) increased due to fuel availability risks and unreliable freight. Regional businesses reported diesel shortages, while exporters faced cancellations and insurance challenges. Contingency planning intensified during the month.

Productivity was impacted (9%) as businesses faced increased re planning, administrative burden and downtime linked to supply disruptions, project delays, workforce issues and compliance requirements.

Workforce pressures (9%) persisted, with ongoing difficulty finding and retaining skilled staff. Weaker activity led some firms to consider reduce hours or staffing, while rising fuel and travel costs suppressed workforce participation in regional areas.

Business impacts from energy crisis - March 2026

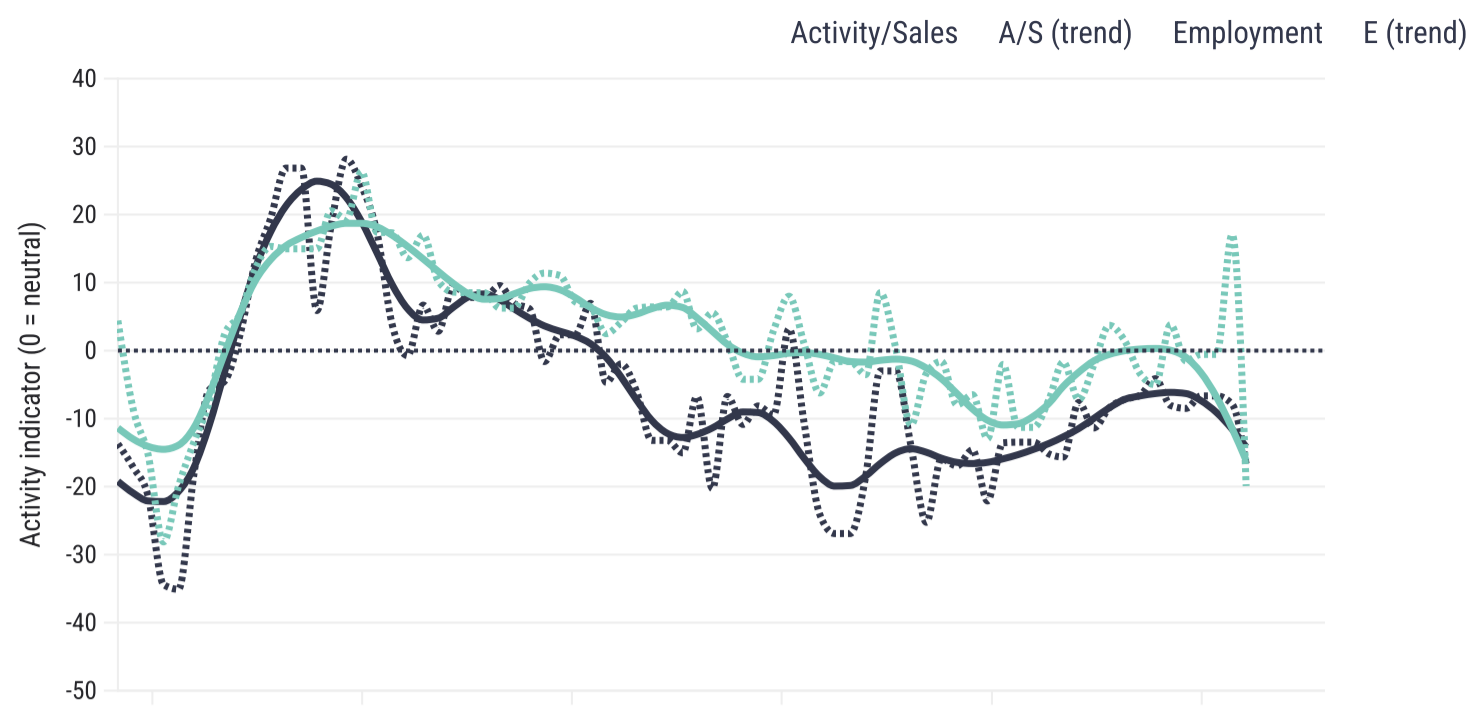
Uncertainty, cost and supply disruptions lead initial impact



Source: Australian Industry Group business liaison • Australian Industry Group Research & Economics

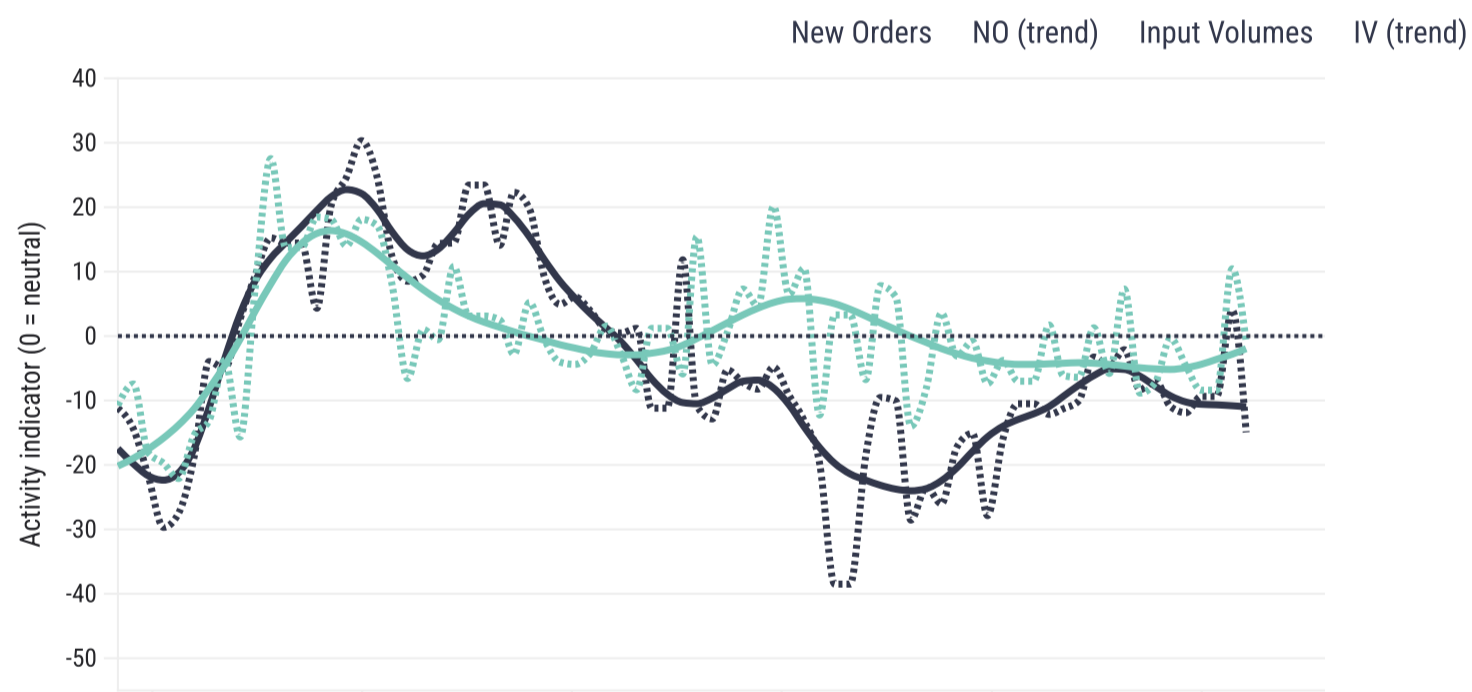
Activity indicators

Industry activity



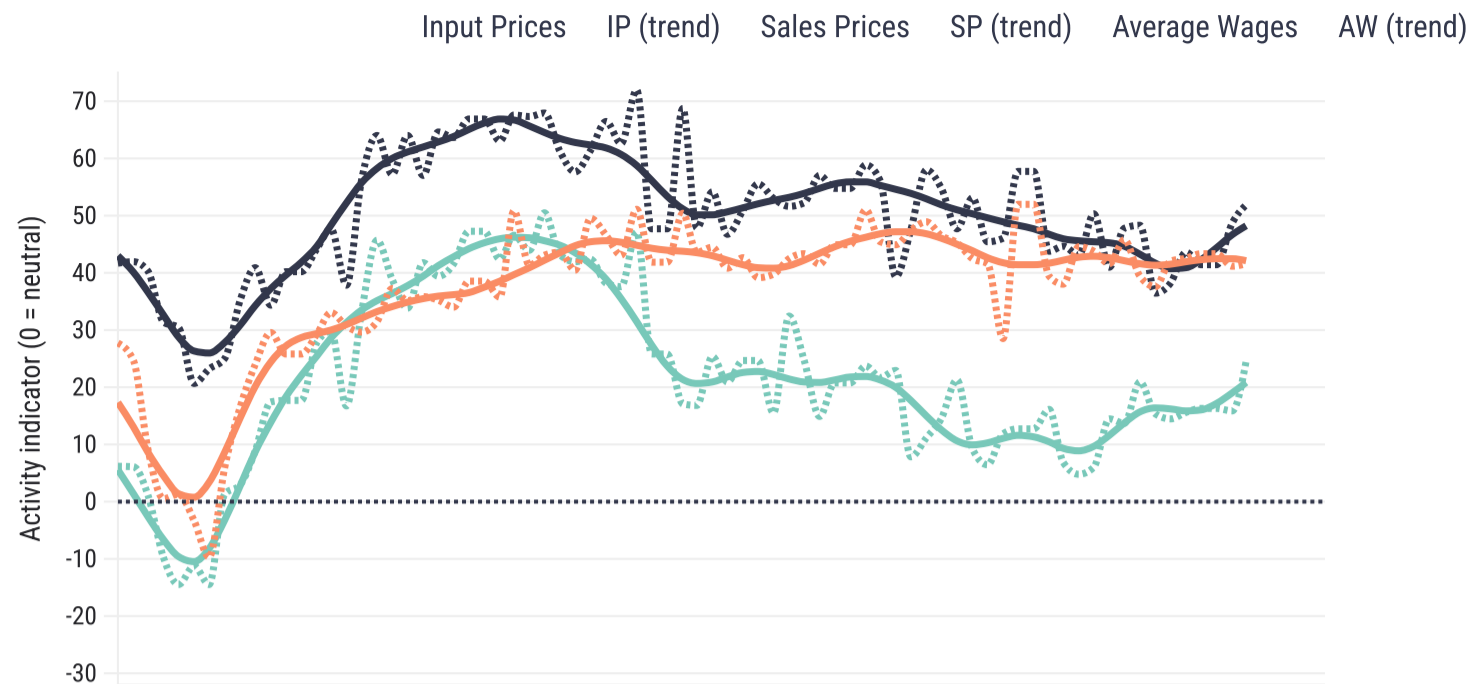
- The industrial activity/sales indicator declined by 10.1 points in March, reaching -25.0. All gains seen at the start of 2026 have been reversed.
- After reaching the highest result since the pandemic in February, the employment indicator dropped sharply in March falling to -28.7, a level not seen since May 2020.
- Activity was uneven, with more positive results coming through at the start of the month, then deteriorating sales, new orders, input prices evident by mid-March.
- Respondents reported softer demand from interest rate increases and uncertainty flowing from the impact of the Middle East conflict.

Leading indicators



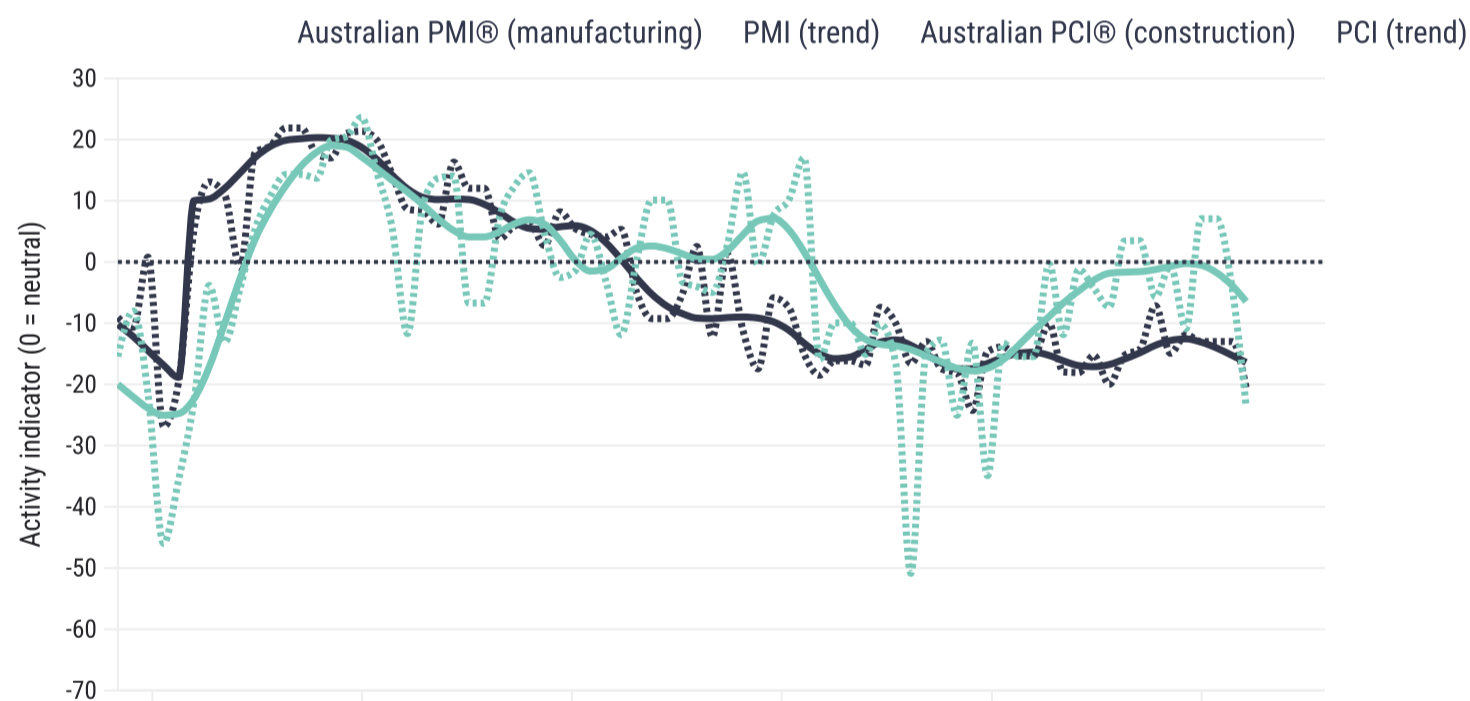
- The new orders indicator declined sharply by 21.7 points from to -23.0 in March. A monthly fall of this quantum has not been seen since the early phase of covid.
- Input volumes by 12.9 points to move back into contraction, reflecting difficulties obtaining supplies due to transport and freight impacts.
- New orders weakened and input pressures increased high due to elevated energy and material costs, and concerns around their future trajectories.
- Some businesses reported an increase in orders from overseas customers, there were also reports of local orders being brought forward to build inventories.

Prices and wages



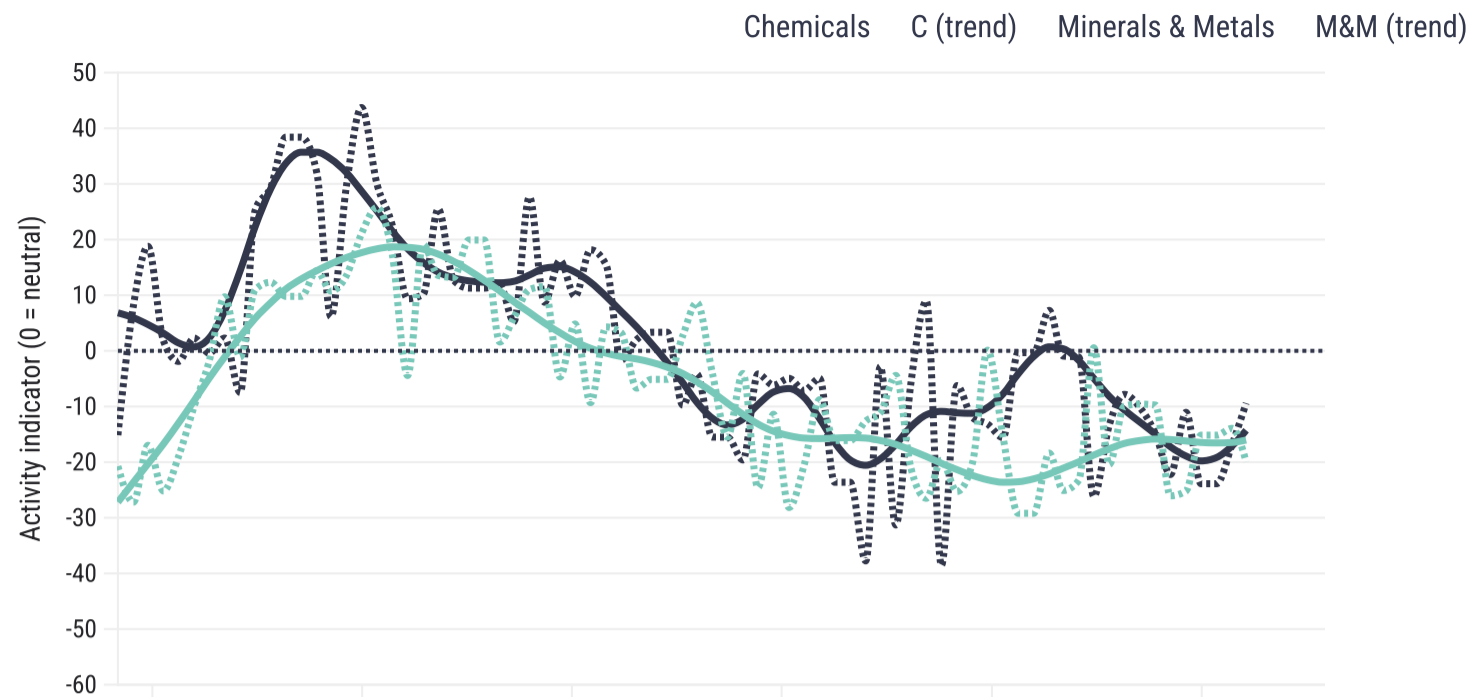
- Both input and sales price indices rose in March, as respondents passed through cost increases.
- The input price indicator rose to 8.5, its highest level in over a year, as fuel and other price rises began to be felt by industry.
- The rising sales price indicator points to businesses attempting to pass on rapidly rising input prices. However, the gap between the input and sales indicators (31 point) suggests pass-on has yet to become widespread.
- The wages indicator remained broadly unchanged at 36.7, while trend data shows it has ranged between 35 and 40 over the past year.

Australian PMI® and PCI®



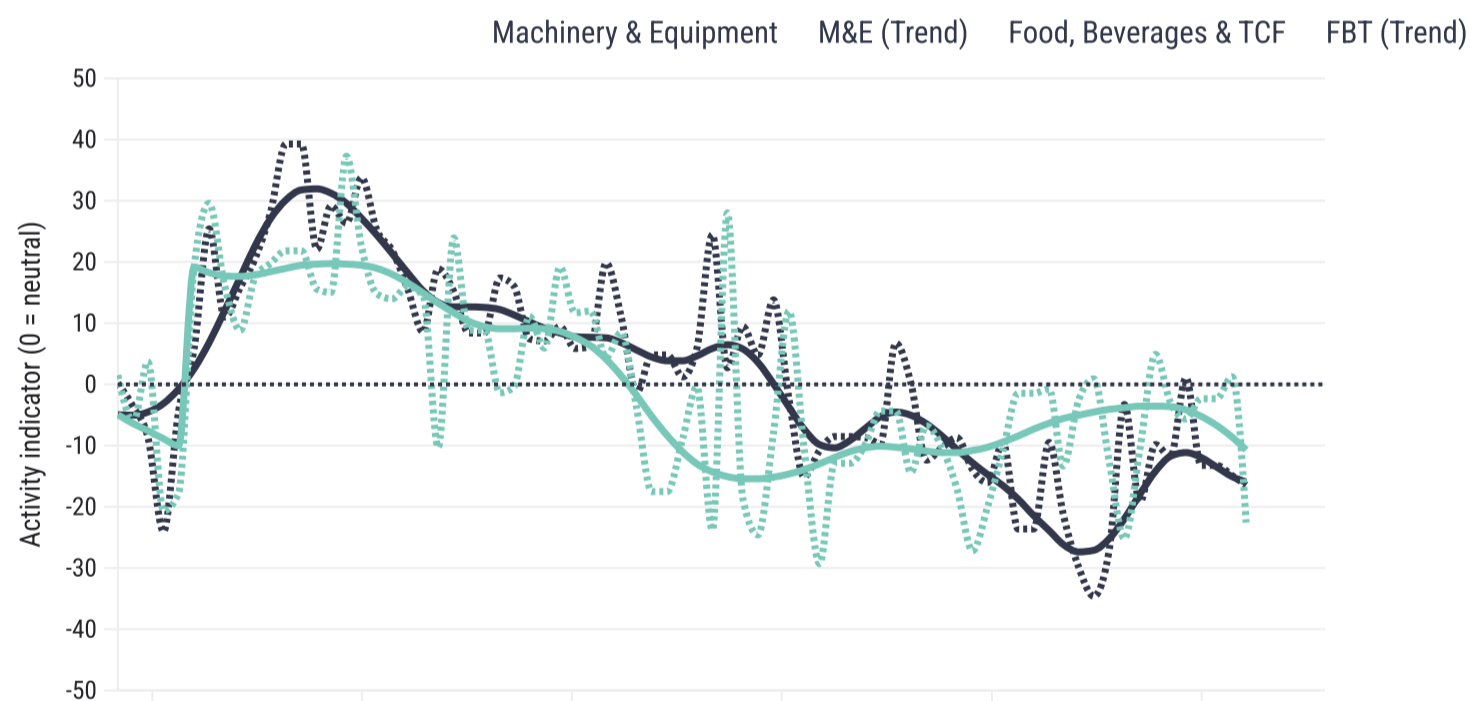
- The Australian PMI® dropped to 8.6 points -27.9 in March, its sharpest monthly drop since April 2020.
- Manufacturers reported rising fuel, material and freight costs as well as supply shortages and export disruptions. Some customers brought orders forward to build inventories, offsetting declines elsewhere.
- The Australian PCI® dropped sharply to -31.4, its lowest level since October 2024, with improvements in the past year reversed.
- Constructors saw a decline in orders and tendering as rising fuel costs and approval delays intensified competition and squeezed margins.

Upstream manufacturing



- Upstream manufacturing indicators declined in March.
- The contraction in the chemicals sub-index eased by 8.5 points to -18.1, while the minerals and metals sector fell by 6.8 points to -30.2.
- Chemical manufacturers noted some upcoming large projects boosted production volumes; however, weak customer confidence, supply disruptions, and rising energy costs weakened demand.
- Metals manufacturers reported reduced export demand due to surcharges, lower orders from rising freight costs, raw material delays from shipping disruptions, and persistent skilled labour shortages.

Downstream manufacturing



- The contraction in the machinery & equipment index eased by 1.8 points to -26.2.
- Some machinery and equipment manufacturers reported increased activity from improved orders; however, others noted stronger import competition pushing prices down, and difficulties sourcing materials.
- Food, beverages & TCF fell significantly by 27.3 points, to -33.2, the lowest level since July 2025.
- Food and beverage manufacturers reported higher interest rates and fuel costs weighed on customer demand and operating costs. Several respondents reported increased competition from overseas suppliers